

Message Text

LIMITED OFFICIAL USE

PAGE 01 HONG K 12323 01 OF 02 130457Z

13

ACTION EB-06

INFO OCT-01 EA-06 ISO-00 COME-00 SP-02 AID-05 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

GSA-01 INT-05 CIAE-00 INR-05 NSAE-00 EUR-12 /068 W

----- 085934

R 130146Z NOV 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 2845

INFO USLO PEKING

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 1 OF 2 HONG KONG 12323

E.O. 11652: N/A

TAGS: EIND, ETRD, CH

SUBJECT: PRC STEEL OUTPUT AND SCRAP IMPORT NEEDS

REF: A. STATE 241649; B. PEKING 1913; C. 1973 HK 9728

SUMMARY: PRC CRUDE STEEL OUTPUT IN 1973 WAS PROBABLY ABOUT 27 MILLION MT, AND ITS DOMESTIC SCRAP AMOUNTED TO OVER 11 MILLION MT. ASSUMING THAT THE PRC'S 1974 CRUDE STEEL OUTPUT IS ABOUT THE SAME AS IN 1973 (BECAUSE OF PRODUCTION PROBLEMS DURING THE YEAR) AND THAT 1975 SHOWS NO DRAMATIC INCREASE, THEN PRC SCRAP IMPORT REQUIREMENTS FOR CURRENT PRODUCTION PURPOSES ARE PROBABLY MINIMAL THROUGH 1975.

BUT, BECAUSE OF ITS GENERALLY HIGHER QUALITY, IMPORTED SCRAP PROBABLY PLAYS A MORE IMPORTANT ROLE IN PRC PRODUCTION OF HIGHER QUALITY STEEL THAN IS INDICATED IN THE ANALYSIS OF GROSS AMOUNTS. FOR THAT REASON ALONE, IF FOR NO OTHER, THE PRC WILL WISH TO CONTINUE TO IMPORT SCRAP. END SUMMARY

1. TANJUG, THE YUGOSLAV NEWS AGENCY, RECENTLY REPORTS FROM PEKING THAT PRC STEEL OUTPUT IN 1973 WAS 27 MILLION
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 HONG K 12323 01 OF 02 130457Z

METRIC TONS (MT) (AFP BELGRADE IN "MACAO NEWS," OCTOBER

7), WHICH IS 1 MILLION MT ABOVE THE JUNE 1974 PRELIMINARY
USG ESTIMATE AND ABOUT 1 MILLION MT BELOW THE CONGEN'S
EARLIER ESTIMATE (REF C). IN SEPTEMBER THE PRC CLAIMED
THAT THE ANNUAL INCREASE AVERAGED 3 MILLION MT IN THE
PERIOD 1970-1973 (HK "TA KUNG PAO ENGLISH" SEPTEMBER 19).
THAT ALSO WOULD PUT 1973 STEEL OUTPUT AT 27 MILLION MT
BASED ON THE USG FIGURE OF 18 MILLION MT FOR 1970.

2. THE PRC PROBABLY INCREASED ITS SCRAP CARRY-OVER IN
1973. ASSUMING AN AVERAGE OF 40 PERCENT SCRAP PER LOAD
(AS WE DID IN REF C), THE PRC WOULD HAVE NEEDED ABOUT
11 MILLION MT OF SCRAP IN 1973. PEKING SAID PRC DOMESTIC
SCRAP COLLECTION WAS MORE THAN 11 MILLION MT IN 1973
(NCNA, FEBRUARY 1, 1974). IN ADDITION, PRC SCRAP IMPORTS
WERE AT LEAST 451 THOUSAND MT (HK, 57 THOUSAND MT AND THE
U.S. 394 THOUSAND MT; WE HAVE NO COMMODITY BREAKDOWN FOR
OTHER FREE WORLD COUNTRIES). ON THE BASIS OF THESE FIGURES,
IT SEEMS REASONABLE TO THINK THAT THE PRC ADDED TO ITS
SCRAP CARRY-OVER IN 1973.

3. THE PRC MAY ALSO INCREASE ITS SCRAP CARRYOVER IN 1974,
ASSUMING THAT 1974 STEEL PRODUCTION DOES NOT GROW SIGNIFI-
CANTLY OVER 1973 AND THAT DOMESTIC SCRAP COLLECTION CON-
TINUES AT THE 1973 LEVEL. IN THE FIRST HALF OF 1974 THE
PRC IMPORTED AT LEAST 160 THOUSAND MT OF FERROUS SCRAP.
(THE U.S. SHIPPED OVER 113 THOUSAND MT, AND HONG KONG
EXPORTED OVER 47 THOUSAND MT TO THE PRC.) THUS, EVEN
IF PRC DOMESTIC SCRAP GENERATION AND COLLECTION IS OFF
SLIGHTLY DURING 1974 (DUE TO SOME INDUSTRIAL ACTIVITIES
HAVING SLOWED DOWN), IT IS LIKELY THAT THE PRC WILL ADD
TO ITS SCRAP RESERVES OR AT THE VERY WORST DECREASE THEM
ONLY SLIGHTLY.

4. LIKELY 1975 CRUDE STEEL PRODUCTION WOULD NOT NECESSITATE
ADDITIONAL IMPORTS OF SCRAP. THE PRC HAS IMPLICITLY AD-
MITTED TO HAVING PROBLEMS IN BOTH IRON AND COAL MINING
(HK 4122). THE COMBINATION IS LIKELY TO SEVERELY LIMIT
GROWTH IN CRUDE STEEL OUTPUT DURING 1975 AS WELL AS THIS
YEAR, AND ITS SCRAP NEEDS WILL, THEREFORE, REMAIN IN THE
VICINITY OF 11-12 MILLION MT. THE IMPORT COMPONENT WOULD
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 HONG K 12323 01 OF 02 130457Z

PROBABLY RUN NOT MORE THAN 500 THOUSAND MT, AND THE PRC
PROBABLY HAS MORE THAN THAT ALREADY ON HAND.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 HONG K 12323 02 OF 02 130431Z

13

ACTION EB-06

INFO OCT-01 EA-06 ISO-00 COME-00 SP-02 AID-05 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

GSA-01 INT-05 CIAE-00 INR-05 NSAE-00 EUR-12 /068 W

----- 085735

R 130146Z NOV 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 2846

INFO USLO PEKING

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 2 OF 2 HONG KONG 12323

5. BECAUSE OF THEIR GENERALLY HIGHER QUALITY, SCRAP IMPORTS MAY BE MORE IMPORTANT FOR THE PRC'S PRODUCTION OF HIGHER QUALITY STEELS THAN IS INDICATED BY THE ABOVE ANALYSIS OF GROSS AMOUNTS. THIS WOULD HELP TO EXPLAIN PRC WILLINGNESS TO EXPEND FOREIGN EXCHANGE BOTH FOR THE AMOUNTS MENTIONED ABOVE AND FOR ITS ADDITIONAL IMPORTS OF STAINLESS AND OTHER STEEL SCRAP. IT WOULD ALSO ARGUE THAT THE PRC WILL WISH TO CONTINUE TO IMPORT SCRAP FOR ITS HIGHER QUALITY STEEL PRODUCTION EVEN IF ITS CRUDE STEEL OUTPUT DOES NOT INCREASE SIGNIFICANTLY. IT IS WORTH NOTING THAT THE PRC IMPORTED MORE THAN 700 THOUSAND MT OF SCRAP IN THE 18 MONTHS ENDING JUNE 1974. THAT WOULD PERMIT THE PRODUCTION OF 1.75 MILLION MT OF STEEL -- 21 MONTHS OF OPERATION AT AN INCREASE IN THE ANNUAL RATE OF OUTPUT OF 1 MILLION MT.

6. THE ABOVE ANALYSIS ASSUMES THAT THE PRC CAN CONTINUE FOR THE NEXT SEVERAL YEARS TO COLLECT DOMESTICALLY THE OVER 11 MILLION MT OF SCRAP THAT IT DID IN 1973. IT WILL, HOWEVER, BE MORE AND MORE DIFFICULT FOR THE PRC TO INCREASE THAT

AMOUNT, AND HERE AGAIN SCRAP IMPORTS BECOME

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 HONG K 12323 02 OF 02 130431Z

IMPORTANT TO THE PRC. THEY COULD PROVIDE THE MARGINAL INCREASES NECESSARY FOR THE PRC TO EXPAND CRUDE STEEL OUTPUT. THEY WILL, THEREFORE, BE OF GREATER IMPORTANCE TO THE PRC IN THE YEARS AFTER 1975 AND BEFORE ITS DOMESTIC IRON ORE OUTPUT IMPROVES AS A RESULT OF MINE EXPANSION, EQUIPMENT IMPORTS AND OTHER INCREASES IN DOMESTIC INVESTMENT IN IRON MINING. THE PRC OBVIOUSLY PLANS TO IMPROVE ITS IRON ORE SUPPLY SITUATION, AS SHOWN BY THE FACT THAT IT HAS ALSO ALREADY BEGUN TO IMPORT HIGH QUALITY AUSTRALIAN ORE (HK 7478).

7. OUR CONCLUSIONS, THEREFORE, ARE: (1) THE PRC CAN PRODUCE ITS LIKELY 1975 CRUDE STEEL OUTPUT WITH MINIMAL FURTHER SCRAP IMPORTS; (2) ITS RECENT SCRAP IMPORTS WOULD PERMIT IT TO PRODUCE AN ADDITIONAL 1.75 MILLION MT; (3) BUT IMPORTED SCRAP IS IMPORTANT FOR PRC PRODUCTION OF HIGHER QUALITY STEELS, AND (4) FOR THIS REASON THE PRC WISHES TO CONTINUE TO IMPORT SCRAP, PERHAPS AT THE SAME RATES IT HAS RECENTLY.
CROSS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, POLICIES, EXPORT QUOTAS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 13 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974HONGK12323
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740326-0671
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741148/aaaabokt.tel
Line Count: 189
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. STATE 241649; B. PEKING 1913; C., 1973 HK 9728
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUL 2002 by boyleja>; APPROVED <17 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRC STEEL OUTPUT AND SCRAP IMPORT NEEDS
TAGS: EIND, ETRD, CH
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005